

**PINE RIVER SUPERFUND CITIZEN TASK FORCE**

**P. O. BOX 172**

**ST. LOUIS, MI 48880**

August 7, 2001

Mr. Bruce L. Jorgensen  
Chief, Decommissioning Branch  
U. S. Nuclear Regulatory Commission  
901 Warrenville Road  
Lisle, IL 60532-4351

Dear Mr. Jorgensen:

The Pine River Superfund Citizen Task Force is the officially recognized community advisory group (CAG) for the Velsicol superfund site and related sites in Michigan. We have an obvious interest in the non-superfund sites at which Velsicol disposed of wastes in the region, including the Breckenridge radioactive waste disposal site. Through the state Department of Environmental Quality we have seen copies of your recent correspondence with Velsicol/NWI Land Management.

The CAG is concerned with the adequacy of all plans for this site, given that the data in existing reports seems either contradictory or vague. Given that materials seem to have been buried at uncertain depths in fiberboard containers, we believe the site must be fully tested before any final decisions can be made regarding long-term monitoring or corrective action. However, our primary reason for writing is not to discuss such technical questions, but rather, to share with you information we have obtained from Fruit of the Loom, the parent of NWI, related to the companies' (Fruit of the Loom and NWI) financial capacity. We note that the NRC raised that issue in a letter to Michael McGee on May 31, 2001. Obviously, the bankruptcy of Fruit of the Loom raises questions about the companies' ability to complete any needed remediation. We also understand NWI has made an offer to create a limited fund in escrow to pay for site monitoring.

We believe two types of information are relevant to the question of the corporations' ability to pay for remediation. First, according to 2001 Securities and Exchange Commission filings, Fruit of the Loom has reserved rather large sums (\$100 million) in cash and insurance for environmental responsibilities. I have enclosed the appropriate pages from their April 2001 SEC filing. Second, the structure of the responsible parties seems to be as follows: Velsicol is an independent, privately held corporation, owned by its management and not a part of Fruit of the Loom/NWI. [Velsicol was a part of the old Northwest Industries, along with Fruit of the Loom, but was spun-off in the mid-1980's.] NWI Land Management is a shell corporation holding

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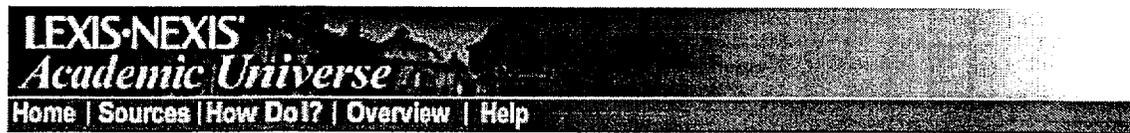
only the contaminated properties and liabilities of the former Northwest Industries, especially of the ex-subsiary, Velsicol. NWI is a wholly owned subsidiary of Fruit of the Loom and, given its superfund and other clean-up responsibilities, was never a profit making enterprise. However, NWI clearly has access to Fruit's \$100 million environmental contingency fund.

Upon learning of Fruit of the Loom's bankruptcy, the CAG filed a claim with bankruptcy court in Brooklyn, NY, seeking to freeze the \$100 million. We understand U. S. EPA did likewise. We believe we made clear to the court that this money needs to be held to meet the corporations' environmental remediation obligations. We would hope the U.S. NRC would make a similar claim or, at least, not accept an inadequate solution to the Breckenridge problems because of a belief that the corporations lack adequate funds to meet their responsibilities.

Should you have questions about this matter, please call me at (989) 463-7203 [office] or (989) 463-6170 [home]. My email is [lorenz@alma.edu](mailto:lorenz@alma.edu).

Sincerely,

Edward C. Lorenz  
Taskforce Chair



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Document List Expanded List KWIC™ Full

Document 1 of 58. Next ▶

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COMPANY: FRUIT OF THE LOOM INC  
CROSS-REFERENCE: FARLEY NORTHWEST INDUSTRIES INC; FRUIT OF THE LOOM LTD

EXCHANGE: OTH

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DOCUMENT-DATE: December 30, 2000  
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Full text Company info Contents Other Return

Special Printing Instructions for this Document.

\*\*\*\*\* TEXT OF FILING \*\*\*\*\*

1

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K  
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X ANNUAL REPORT PURSUANT TO SECTION 13  
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 30, 2000 OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

wholesale clubs and screen printers as well as many department, specialty, drug and variety stores, national chains, supermarkets and sports specialty stores. The Company performs ongoing credit evaluations of its customers and generally does not require collateral or other security to support customer receivables. The Company's ten largest customers accounted for approximately 53.5% and 49.2% of net sales to unrelated parties in 2000 and 1999, respectively and approximately 42.1% and 41.2% of accounts receivable at December 30, 2000 and January 1, 2000, respectively. The Company routinely assesses the financial strength of its customers and, as a consequence, management believes that its trade receivable credit risk exposure is limited.

#### CONTINGENT LIABILITIES

The Company and its subsidiaries are involved in certain legal proceedings and have retained liabilities, including certain environmental liabilities such as those under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, its regulations and similar state statutes ("Superfund Legislation"), in connection with the sale of certain operations. The Company's indirect subsidiary, NWI Land Management, Inc. ("NWI"), is responsible for several sites that require varying levels of inspection, maintenance, environmental monitoring and remedial or corrective action. Reserves for estimated losses from environmental remediation obligations generally are recognized no earlier than the completion of the remedial feasibility study. The Company has established procedures to evaluate its potential remedial liabilities and routinely reviews and evaluates sites requiring remediation, giving consideration to the nature, extent and number of years of the Company's alleged connection with the site. The Company's retained liability reserves as of December 30, 2000 are set forth in the table below. The reserves consist primarily of certain environmental and product liability reserves of \$31,800,000 and \$2,000,000, respectively. The Company's retained liability reserves principally pertain to seven owned environmental sites and environmental management costs for those owned sites. Anticipated direct site expenditures associated with the owned sites represent approximately 44% of the total reserves and approximately \$5,200,000 is reserved for the long-term professional management of the sites.

The Company and NWI are parties to prepetition indemnity agreements ("Indemnity Agreements") with certain parties ("Indemnified Parties") whereby the Company or NWI are contractually liable to indemnify the parties to such Indemnity Agreements, related to sites owned or operated by such Indemnified

Parties, or related to third party sites in which the Indemnified Parties conducted or arranged for disposal activities. The retained liability reserves relative to the prepetition Indemnity Agreements comprise approximately \$13,800,000 or 41% of the retained liability reserves.

76

79

#### FRUIT OF THE LOOM, INC. AND SUBSIDIARIES (DEBTOR IN POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### CONTINGENT LIABILITIES -- (CONTINUED)

On March 14, 2001, the Bankruptcy Court entered an order rejecting certain of the prepetition Indemnity Agreements. The Company and NWI are reviewing and considering rejection of other prepetition Indemnity Agreements and related prepetition Agreements.

The Company has certain amounts of environmental and other insurance which may cover expenditures in connection with environmental sites and product liabilities. The Company, on October 28, 1997, filed suit against numerous insurance carriers seeking reimbursement for past and future remedial, defense and tort claim costs at a number of sites. Carriers in this matter have denied coverage and are defending against the Company's claims. In the fourth quarter of 1999, the Company entered into a settlement agreement with certain of the insurance carriers. As a result of the settlement agreement, the Company received \$13,700,000 which has been recorded as a reduction of Other expense in the accompanying Consolidated Statement of Operations. The Company continues to pursue its claims against the remaining insurance carriers. During 1998, the Company purchased insurance coverage for potential cleanup cost expenditures from the level of the current environmental reserves up to \$100,000,000 for certain sites with on-going remediation, pollution liability coverage for claims arising from pollution conditions at owned locations including continuing operations, sold facilities and non-owned sites and product liability coverage for claims arising from products manufactured by the sold operations.

Where the Company believes that both the amount of a particular environmental liability and the timing of the payments are reliably determinable, the cost in current dollars is inflated at 2.0% until the expected time of payment and then discounted to present value at 7.5%. The undiscounted aggregate costs to be paid subsequent to December 30, 2000 for environmental liabilities are approximately \$41,500,000. None of the product liability reserves for future expenditures have been inflated or discounted. Management believes that adequate reserves have been established to cover potential claims based on facts currently available and current Superfund and CERCLA Legislation. However, determination of the Company's responsibility at a particular site and the method and ultimate cost of remediation require a number of assumptions which make estimates inherently difficult, and the ultimate outcome may differ from current estimates. Current estimates of payments before recoveries by year for the next five years and thereafter are noted below (in thousands of dollars). The reserves are reduced by cash expenditures incurred at specific sites or product cases.

| YEAR            | ENVIRONMENTAL | PRODUCT |       |
|-----------------|---------------|---------|-------|
| ----            | -----         | -----   | ----- |
| -               |               |         |       |
| 2001.....       | \$ 2,300      | \$ 500  | \$    |
| 2,800           |               |         |       |
| 2002.....       | 5,400         | 500     |       |
| 5,900           |               |         |       |
| 2003.....       | 3,600         | 300     |       |
| 3,900           |               |         |       |
| 2004.....       | 2,700         | 300     |       |
| 3,000           |               |         |       |
| 2005.....       | 2,500         | 200     |       |
| 2,700           |               |         |       |
| Thereafter..... | 15,300        | 200     |       |
| 15,500          |               |         |       |
| -               |               |         |       |
| Total.....      | \$31,800      | \$2,000 |       |
| \$33,800        | =====         | =====   |       |
| =====           |               |         |       |

The Company has provided the foregoing information in accordance with Staff Accounting Bulletin 92 and Statement of Position 96-1. Owners and operators of

hazardous waste sites, generators and transporters of hazardous wastes are subject to claims brought by State and Federal regulatory agencies under Superfund Legislation and by private citizens under Superfund Legislation and common law theories. Since 1982, the United States Environmental Protection Agency (the "EPA") has actively sought compensation for response costs and remedial action at disposal locations from liable parties under the Superfund Legislation, which authorizes such action by the EPA regardless of fault, legality of original disposal or ownership of a disposal

77

80

FRUIT OF THE LOOM, INC. AND SUBSIDIARIES  
(DEBTOR IN POSSESSION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONTINGENT LIABILITIES -- (CONTINUED)

site. The EPA's activities under the Superfund Legislation can be expected to continue during 2001 and future years.

On February 24, 1999, the Board of Directors, excluding Mr. Farley, authorized the Company to guarantee a bank loan of up to \$65,000,000 to Mr. Farley in connection with Mr. Farley's refinancing and retirement of his \$26,000,000 and \$12,000,000 loans previously guaranteed by the Company and other indebtedness of Mr. Farley. The Company's obligations under the guarantee are collateralized by 2,507,512 shares of FTL, Inc. Preferred Stock and all of Mr. Farley's assets, including Mr. Farley's personal guarantee. In consideration of the guarantee, which expired in September 2000, Mr. Farley is obligated to pay an annual guarantee fee equal to 2% of the outstanding principal balance of the loan. The Board of Directors received an opinion from an independent financial advisor that the terms of the transaction are commercially reasonable. The total amount guaranteed is \$59,300,000 as of December 30, 2000. Based on management's assessment of existing facts and circumstances of Mr. Farley's financial condition, the Company recorded a \$10,000,000 charge in the third quarter of 1999 and \$20,000,000 in the fourth quarter of 1999 related to the Company's exposure under the guarantee. The Company continues to evaluate its exposure under the guarantee. Mr. Farley has not paid the Company the guarantee fee due in 2000 and 2001 and is in default under the loans and the reimbursement agreement with the Company. The Company began paying interest on the loan in the first quarter of 2000 including interest that was outstanding from the fourth quarter of 1999. On May 16, 2000, Fruit of the Loom sent a demand letter to Mr. Farley on account of his reimbursement obligation.

On March 27, 1995, Mr. Farley and Fruit of the Loom entered into an employment agreement, effective as of December 18, 1994, which was subsequently amended and restated as of January 6, 1999 (the "Employment Agreement"). Mr. Farley relinquished the additional duties of chief executive officer and chief operating officer in August of 1999 at the direction of the Board. The Company recorded a provision of \$27,400,000 in the third quarter of 1999 for estimated future severance and retirement obligations under Mr. Farley's Employment Agreement. Fruit of the Loom terminated the Employment Agreement prior to the Petition Date and, as a protective measure, rejected it by order of the Bankruptcy Court on December 30, 1999. Pursuant to the terms of the Employment Agreement, Mr. Farley had the right to defer all or a portion of his compensation in a particular year in exchange for the right to receive benefits